

Message Text

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PAGE 01 LISBON 04395 032302Z
ACTION EUR-08

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C O N F I D E N T I A L LISBON 4395

LIMDIS

C O R R E C T E D C O P Y (CAPTION LIMDIS OMITTED)

E.O. 11652: GDS
TAGS: MATT PO
SUBJECT: BASE RIGHTS NEGOTIATIONS AND PORTUGUESE LOAN

REF: STATE 127369

1. I SAW SOARES ALONE EVENING JUNE 2 TO CARRY OUT INSTRUCTIONS REFTEL. TOLD HIM WE WISHED TO CONCLUDE INFORMAL STAGE OF NEGOTIATIONS AS SOON AS POSSIBLE. SENATOR INOUE'S COMMITTEE WISHED TO HAVE SOME IDEA OF WHAT TOTAL AID PACKAGE FOR PORTUGAL WOULD BE INCLUDING AZORES COMPENSATION, BEFORE ACTING ON \$300 MILLION LOAN. I TOLD HIM THIS WAS A REASONABLE REQUEST TO ENABLE THE CONGRESS TO FIT OUR AID TO PORTUGAL INTO THE CONTEXT OF OUR WORLDWIDE AID PROGRAM. HENCE IT WAS IMPORTANT THAT WE ARRIVE AT AN EARLY AND CONCRETE UNDERSTANDING.

2. WITHOUT GOING INTO DETAILS I TOLD SOARES LIMIT USG PREPARED TO PAY FOR AZORES WAS 120 MILLION DOLLARS. I POINTED OUT THAT THIS WOULD BE GRANT AID NOT LOANS AND IT WAS MISLEADING TO TRY AND COMPARE THIS FIGURE TO
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PAGE 02 LISBON 04395 032302Z

PUBLISHED FIGURES ON ASSISTANCE PROVIDED IN RETURN FOR BASES IN OTHER COUNTRIES, SINCE LATTER FIGURE OFTEN INCLUDED IMPORT CREDITS. I POINTED OUT SUCH CREDITS WOULD BE OF LITTLE USE TO THE AZOREANS. I ALSO TOLD HIM THAT IN MY JUDGMENT THE AZOREANS HAVE GREAT DIFFICULTY IN ABSORBING AID. FINALLY, I TOLD HIM THAT USG FULLY RECOGNIZED HIS POLITICAL PROBLEM WITH

AZOREANS. IF HE DESIRED I WOULD BE PREPARED TO MEET INFORMALLY WITH AZOREANS TO INDICATE THAT GOP HAD VIGOROUSLY DEFENDED THEIR INTERESTS AND THAT 120 FIGURE WAS LIMIT USG PREPARED TO PAY.

3. SOARES DID NOT QUESTION THE POSITION TAKEN BY SENATOR INOUE, AND SEEMED RECEPTIVE TO THE IDEA OF CONCLUDING THE NEGOTIATIONS RAPIDLY. HE NOTED HIS SERIOUS CONCERN WITH THE DETERIORATING RELATIONS BETWEEN THE AZOREANS AND THE MAINLAND, AND I COMMENTED THAT CONCLUDING THE NEGOTIATIONS WOULD REMOVE ONE ISSUE THAT WAS SUBJECT TO POLITICAL EXPLOITATION. HE NODDED HIS ASSENT. HE ALSO SEEMED TO LIKE THE IDEA OF MY MEETING INFORMALLY WITH THE AZOREANS.

4. SOARES DID NOT COMMENT ONE WAY OR ANOTHER ON THE 120 MILLION DOLLAR FIGURE, BUT HE MADE CAREFUL NOTE OF IT. AT MY REQUEST HE SAID HE WOULD SUMMON FOREIGN MINISTER MEDEIROS FERREIRA JUNE 3 AND GIVE HIM THE NECESSARY INSTRUCTIONS. I TOLD HIM I HAD SET UP TENTATIVE PLANS FOR ME, BARBOUR AND DOD OFFICIAL TO MEET WITH VILLA BOAS JUNE 7. HE SEEMED RECEPTIVE TO THIS PROCEDURE AND SAID HE WOULD GET BACK TO ME AS SOON AS HE HAD TALKED TO FONMIN.

5. SUGGEST WE PROCEED WITH TENTATIVE PLANS FOR JUNE 7 MEETING. I WILL BE SEEING SOARES TONIGHT (JUNE 3) AT WHICH TIME I EXPECT HE WILL CONFIRM ARRANGEMENTS. CARLUCCI
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PAGE 03 LISBON 04395 032302Z

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